

MTAG GROUP BERHAD

(Company No. 201801000029 (1262041-V))

(Incorporated in Malaysia)

Unaudited Financial Statements

For the Financial Period Ended

30 June 2024

MTAG GROUP BERHAD (201801000029) (1262041-V)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FOURTH (4TH) QUARTER ENDED 30 JUNE 2024⁽¹⁾

	Note	3-MONTH ENDED		PERIOD-TO-DATE	
		30.06.2024 RM'000	30.06.2023 RM'000	30.06.2024 RM'000	30.06.2023 RM'000
Revenue	A9	25,371	24,969	106,217	153,912
Cost of sales		(17,754)	(15,277)	(68,496)	(103,484)
Gross profit ("GP")		7,617	9,692	37,721	50,428
Other income		1,496	2,479	5,598	5,447
Reversal of impairment loss of trade receivables		25	50	25	50
Selling and distribution expense		(380)	(505)	(2,204)	(2,793)
Administrative expenses		(4,894)	(4,108)	(14,495)	(13,491)
Finance costs		(43)	(12)	(97)	(59)
Profit before tax ("PBT")	B12	3,821	7,596	26,548	39,582
Tax expenses	B6	(691)	(1,305)	(6,202)	(9,511)
Profit after tax ("PAT")		3,130	6,291	20,346	30,071
Profit for the financial period attributable to:					
Owners of the Company		3,130	6,291	20,346	30,071
		<u>3,130</u>	<u>6,291</u>	<u>20,346</u>	<u>30,071</u>
Other comprehensive income, net of tax: -					
Items that will not be reclassified subsequently to profit or loss					
Revaluation of land and building		-	-	-	1,783
Tax effect on item that will not be reclassified subsequently to profit or loss		-	-	-	(428)
Realisation of revaluation reserve upon depreciation of revalued assets		2,744	66	2,884	119
Transfer of revaluation reserve to unappropriated profit		(2,744)	(66)	(2,884)	(119)
		<u>-</u>	<u>-</u>	<u>-</u>	<u>1,355</u>
Total comprehensive income for the financial period attributable to:					
Owners of the Company		3,130	6,291	20,346	31,426
		<u>3,130</u>	<u>6,291</u>	<u>20,346</u>	<u>31,426</u>
Earnings per share attributable to owners of the Company					
Basic (sen) ⁽³⁾	B11	0.46	0.92	2.98	4.41
Diluted (sen) ⁽⁴⁾	B11	0.46	0.92	2.98	4.41

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME FOR THE FOURTH (4TH) QUARTER ENDED 30 JUNE
2024(1) (CONT'D)**

Notes:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income are disclosed in Note A1 and the Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with accompanying explanatory notes attached to this financial report.
- (2) Basic earnings per share (“EPS”) is calculated based on the share capital of 681,617,400 shares as at 30 June 2024.
- (3) Diluted EPS of the Company for the individual quarter ended 30 June 2024 and period-to-date ended 30 June 2024 is equivalent to the basic EPS as the Company does not have any convertible securities as at the end of the reporting period.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024⁽¹⁾

	Note	30.06.2024 RM'000	30.06.2023 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		36,815	31,206
Investment property		10,592	-
Total non-current assets		47,407	31,206
Current assets			
Inventories		13,990	26,049
Trade receivables		23,963	24,951
Other receivables		919	2,269
Tax recoverable		1,033	76
Other investment		112,899	51,004
Fixed deposits with licensed banks		25,911	70,277
Cash and bank balances		9,205	23,139
Total current assets		187,920	197,765
TOTAL ASSETS		235,327	228,971
EQUITY AND LIABILITIES			
Equity			
Share capital		146,566	146,566
Merger deficit		(73,775)	(73,775)
Revaluation reserve		6,624	6,785
Unappropriated profit		140,819	133,944
Total equity		220,234	213,520
Liabilities			
Non-current liabilities			
Other payable		-	200
Term Loan	B8	-	67
Lease liabilities		380	464
Deferred tax liabilities		4,855	3,813
Total non-current liabilities		5,235	4,544
Current liabilities			
Trade payables		5,901	5,503
Other payables		2,350	4,363
Borrowings	B8	430	41
Lease liabilities		409	292
Tax payable		768	708
Total current liabilities		9,858	10,907
TOTAL LIABILITIES		15,093	15,451
TOTAL EQUITY AND LIABILITIES		235,327	228,971
Number of issued shares ('000)		681,617	681,617
NET ASSETS PER SHARE (RM)⁽²⁾		0.32	0.31

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS
AT 30 JUNE 2024⁽¹⁾ (CONT'D)**

Notes:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Financial Position are disclosed in Note A1 and the Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying explanatory notes attached to this financial report.

- (2) Based on the share capital of 681,617,400 shares in issue as at 30 June 2024 and 30 June 2023.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH (4TH) QUARTER ENDED 30 JUNE 2024⁽¹⁾

	Share capital RM'000	Merger deficit RM'000	Revaluation reserve RM'000	Unappropriated profit RM'000	Total equity RM'000
As at 1 July 2023	146,566	(73,775)	6,785	133,944	213,520
Profit for the financial period	-	-	-	20,346	20,346
Other comprehensive income for the financial period	-	-	(161)	161	-
Surplus in the revaluation for the financial period	-	-	-	-	-
	146,566	(73,775)	6,624	154,451	233,866
Transactions with owners					
Issued of ordinary shares	-	-	-	-	-
Share issuance expense	-	-	-	-	-
Interim dividend	-	-	-	(13,632)	(13,632)
	-	-	-	(13,632)	(13,632)
As at 30 June 2024	146,566	(73,775)	6,624	140,819	220,234

Notes:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Changes in Equity are disclosed in Note A1 and should be read in conjunction with accompanying explanatory notes attached to this financial report.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH (4TH) QUARTER ENDED 30 JUNE 2024^{(1) (2)}

	PERIOD-TO-DATE	
	30.06.2024 RM'000	30.06.2023 RM'000
Cash Flows From Operating Activities		
Profit before tax	26,548	39,582
Adjustments for:		
(Gain)/ loss on disposal of property, plant and equipment	(156)	(137)
Depreciation of right-of-use assets	151	153
Depreciation of property, plant and equipment	3,194	2,907
Interest income	(1,500)	(2,997)
Interest expense	105	59
Reversal of impairment loss of trade receivables	-	(50)
Allowance for impairment loss of inventories	925	1,280
Reversal for impairment loss of inventories	(1,344)	-
Impairment loss of goodwill	1,961	-
Fair value (gain)/ loss on other investment	(3,297)	(1,012)
(Gain)/ loss on disposal of other investment	-	(94)
Dividend income from other investment	(1)	-
Unrealised (gain)/ loss on foreign exchange	(53)	(347)
	<hr/>	<hr/>
Operating profit before working capital changes	26,533	39,344
Change in working capital		
Inventories	13,670	101
Receivables	3,134	27,599
Payables	(3,121)	(15,630)
	<hr/>	<hr/>
	13,683	12,070
Cash generated from operations	40,216	51,414
Tax paid	(7,098)	(8,892)
Tax refunded	-	-
Net cash from/ (used in) operating activities	33,118	42,522
	<hr/>	<hr/>
Cash Flows From Investing Activities		
Acquisition of subsidiary company	(8,481)	(1,300)
Proceeds from disposal of property, plant and equipment	155	722
Purchase of property, plant and equipment	(11,628)	(9,518)
Withdrawal/ (placement) of fixed deposits with a licensed bank	44,367	14,554
Withdrawal/ (placement) of other short-term investment	(58,595)	(27,127)
Proceeds from disposal of other investment	-	-
Interest received	1,500	2,997
Net cash from/ (used in) investing activities	(32,682)	(19,672)
	<hr/>	<hr/>
Cash Flows From Financing Activities		
Interest paid	(105)	(59)
Dividend paid	(13,632)	(20,449)
Proceeds/ (repayment) of lease liabilities	335	18
Proceeds/ (repayment) of finance lease creditors	(327)	328
Proceeds/ (repayment) of short-term borrowings	(675)	108
Net cash from/ (used in) financing activities	(14,404)	(20,054)
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH (4TH) QUARTER ENDED 30 JUNE 2024⁽¹⁾⁽²⁾ (CONT'D)

Cash and cash equivalents in the condensed consolidated statement of cash flows comprise:

	PERIOD-TO-DATE	
	30.06.2024	30.06.2023
	RM'000	RM'000
Net increase/ (decrease) in cash and cash equivalents	(13,968)	2,795
Cash and cash equivalents at beginning of the financial period	23,140	19,972
Effect of exchange translation differences on cash and cash equivalents	33	372
Cash and cash equivalents at the end of the financial period	<u>9,205</u>	<u>23,139</u>
Other investment in unit trust	112,899	51,004
Fixed deposits with licensed banks	25,911	70,277
Cash and bank balances	9,205	23,139
	<u>148,015</u>	<u>144,420</u>
Less: Other investment in unit trust	(112,899)	(51,004)
Less: Fixed deposits with licensed banks	(25,911)	(70,277)
Cash and cash equivalents at the end of the financial period	<u>9,205</u>	<u>23,139</u>

Notes:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Cash Flows are disclosed in Note A1 and should be read in conjunction with the accompanying explanatory notes attached to this financial report.

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A. NOTES TO THE INTERIM FINANCIAL REPORT

A1. Basis of preparation

The interim financial report of MTAG Group Berhad (“**MTAG**” or “**the Company**”) and its subsidiaries (collectively “**the Group**”) are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“**MFRS**”) No. 134: Interim Financial Reporting and Rule 9.22 of Listing Requirements of Bursa Securities.

This financial report should be read in conjunction with the audited financial statements for the financial year ended 30 June 2023 and the accompanying notes attached to this financial report. These explanatory notes attached to the financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2023.

A2. Summary of material accounting information

The material accounting information and methods of computation adopted by the Group in this financial report are consistent with those adopted as disclosed in the audited financial statements for the financial year ended 30 June 2023 except for the adoption of the following MFRSs, Amendments to MFRSs and new interpretations.

Adoption of new and amended standard and interpretations	Effective dates for financial periods beginning on or after
• MFRS 17- Insurance Contracts and Amendments to MFRS 17 Insurance Contracts *	1 January 2023
• Amendments to MFRS 17 – Initial Application of MFRS 17 and MFRS 9 – Comparative Information	1 January 2023
• Amendments to MFRS 101 – Presentation of Financial Statements – Disclosure of Accounting Policies	1 January 2023
• Amendments to MFRS 108 – Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates	1 January 2023
• Amendments to MFRS 112 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
• Amendments to MFRS 112 Income Taxes: International Tax Reform - Pillar Two Model Rules	1 January 2023

* Not applicable to the Group’s operations.

Adoption of the above standards and interpretations whichever applicable did not have any material impact to the financial statements of the Group except for Amendments to MFRS 101 – Presentation of Financial Statements – Disclosure of Accounting Policies, as disclosed below-

A. NOTES TO THE INTERIM FINANCIAL REPORT

A2. Summary of material accounting information (cont'd)

Adoption of new and amended standards and interpretations (cont'd)

Amendments to MFRS 101 Presentation of Financial Statements – Disclosure of Accounting Policies

The amendments change the requirements in MFRS 101 with regard to disclosure of accounting policies. The amendments replace all instances of the term ‘significant’ with ‘material’. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in MFRS 101 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. The MASB has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in MFRS Practice Statement 2.

The amendments will have an impact on the Group’s disclosures of accounting policies but not on the measurement, recognition or presentation of any items in the Group’s financial statements.

At the date of authorisation of these financial statements, the followings standards and interpretations were issued but not yet effective and have not been applied by the Group:

Standards and interpretations issued but not yet effective	Effective dates for financial periods beginning on or after
• Amendments to MFRS 16 Leases – Lease Liability in a Sale and Leaseback	1 January 2024
• Amendments to MFRS 101- Presentation of Financial Statements – Classification of Liabilities as Current or Non-current	1 January 2024
• Amendments to MFRS 101 Presentation of Financial Statements – Non-current Liabilities with Covenants	1 January 2024
• Amendments to MFRS 107 Statement of Cash Flows and MFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements	1 January 2024
• Amendments to MFRS 121 The effects of Changes in Foreign Exchange Rates- Lack of Exchangeability	1 January 2025
• MFRS 7 Financial Instruments: Disclosures - Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
• MFRS9 Financial Instruments - Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
• MFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027
• MFRS 19 Subsidiaries without Public Accountability: Disclosures	1 January 2027
• Amendments to MFRS 10 Consolidated Financial Statement and MFRS 128 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

A2. Summary of material accounting information (cont'd)

The initial application of these MFRSs, amendments to the published standards and interpretations is not expected to have any material impact on the financial statements of the Group, except for:

MFRS 18 – Presentation and Disclosure in Financial Statements

On 14 June 2024, MASB issued new standard MFRS 18 which replaces MFRS 101, MFRS 18 continues the general requirements from MFRS 101, enhancing guidance for grouping information through aggregation and disaggregation across all primary financial statements and notes. The standard provides structured summaries of assets, liabilities, equity, income, expenses, and cash flows.

In the statement of profit or loss, MFRS 18 introduces two new defined subtotals: operating profit and profit before financing and income taxes. Additionally, it categorises income and expenses into operating, investing, financing, income taxes and discontinued operations.

Limited changes are introduced to specific requirements for the statement of cash flows and the statement of financial position. There are no changes to the specific requirements for the statement of comprehensive income and the statement of changes in equity.

The notes to the financial statements will include material information that supplements the primary financial statements, with new and amended disclosures such as management-defined performance measures and specified expenses by nature. The information presented in the primary financial statements and notes will be clearly linked to ensure consistency and transparency.

MFRS 18 must be applied retrospectively and are applicable for annual period beginning on or after 1 January 2027 with earlier application permitted.

The Group is currently assessing the impact of the MFRSs to determine the impact they will have on the Group's financial statement's disclosures.

A3. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements of the Group for the financial year ended 30 June 2023 was not subject to any qualification.

A4. Seasonal or cyclical factors

The business operations of the Group were not materially affected by seasonal and cyclical effects.

A5. Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current financial quarter and financial period-to-date except the impairment loss of goodwill disclosed in A16 Significant event.

A6. Material changes in estimates

There were no material changes in the estimates in the current financial quarter under review.

A. NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

A7. Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayment of debts and equity for the current financial period under review.

A8. Dividends paid

During the financial quarter ended 30 June 2024, the Company has paid a single tier second interim dividend of 1 sen per ordinary share in respect of financial year ended 30 June 2024, amounting to about RM6.8 million on 25 June 2024.

A9. Segmental information

The Group's segmental information for the current financial period ended 30 June 2024 is as follows:

(a) Analysis of revenue by business segments

	3-MONTH ENDED		PERIOD-TO-DATE	
	30.06.2024	30.06.2023	30.06.2024	30.06.2023
	RM'000	RM'000	RM'000	RM'000
Converting	20,602	15,223	80,988	115,774
Distribution	4,572	9,746	24,967	38,138
Others	197	-	262	-
Total	25,371	24,969	106,217	153,912

(b) Analysis of revenue by geographical markets

	3-MONTH ENDED		PERIOD-TO-DATE	
	30.06.2024	30.06.2023	30.06.2024	30.06.2023
	RM'000	RM'000	RM'000	RM'000
Northern region	665	77	2,347	250
Central region	612	173	1,908	402
Southern region	19,594	19,278	85,878	130,839
Overseas (Outside Malaysia)	4,500	5,441	16,084	22,421
Total	25,371	24,969	106,217	153,912

A10. Valuation of property, plant and equipment

There was no valuation of the property, plant and equipment in the current financial quarter under review.

A. NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

A11. To disclose significant event – Acquisition of Jostar Sdn Bhd since the measurement is completed

(a) Claim filed against Jabco Filter System Sdn Bhd

On 23 December 2022, ATA IMS Berhad (“ATA Group”) announced that two of its subsidiaries, Jabco Filter System Sdn. Bhd. (“Jabco”) and Winsheng Plastic Industry Sdn. Bhd. (“WPI”) received notices of termination from their major customers. Jabco is a major customer of the Group. As a result, Jabco were unable to take delivery and pay for purchase orders they had previously issued to the Group. Therefore, the Group proceeded to file claims against Jabco.

On 11 April 2023, the Group through its wholly-owned subsidiary, Intag Industrial Supplies Sdn. Bhd. (“Intag”), represented by its solicitors, issued and served a notice of demand to Jabco, amounting to RM27,551,305.59 for purchase orders that have not yet been delivered and paid for.

On 18 May 2023, Intag represented by its solicitors, filed a writ of summons with the statement of claim (“SOC”), at the High Court of Malaya in Johor Bahru against Jabco Filter System Sdn. Bhd.

The claims against Jabco are as follows: -

- i. RM27,551,305.59;
- ii. Interest on the sum of RM27,551,305.59 at the rate of 5% per annum in accordance with Section 11(1) of the Civil Law Act 1956 from 9 February 2023 until the date of full settlement;
- iii. Damages to be assessed for the storage costs of the said stock for the period commencing 19 April 2023 until Jabco takes delivery of the said stock;
- iv. Costs; and
- v. Any further or other relief deemed fit by the court

The claims are expected to have material financial impact on the Group for the financial year ending 30 June 2024.

The Board of Directors of MTAG wishes to inform that on 19 February 2024 the Court had adjourned the hearing date to 27 June 2024, and thereafter to 15 August 2024. The hearing of the Company’s application for summary judgment has concluded and the Court has fixed 30 October 2024 as the date to deliver its decision. The original size of the claim has been reduced to about RM4.09 million as a result of the Defendant having instructed the Plaintiff to sell part of the stocks to its nominated buyers. The Board of Directors of MTAG foresees a further reduction to the size of the claim if the Defendant uses the interim period before the decision on 30 October 2024 to deplete further outstanding stocks with the Plaintiff by selling balance of the stocks available to the Defendant’s nominated buyers.

(b) Claim filed against Brilliant Propel Sdn Bhd for deposit refund of RM245,595.67

Pursuant to the announcements dated 9 December 2019 and 12 December 2019, MTAG had announced the proposal to undertake the acquisition of 2 pieces of vacant freehold industrial land held under title documents GM 372 Lot 291 and GM 373 Lot 292, both at Mukim Plentong, District of Johor Bahru, Johor (“Land”) from Brilliant Propel Sdn Bhd (“Defendant”) for a cash consideration of RM24,559,567 (“Proposed Acquisition”) and paid RM491,191.34, being the earnest deposit.

Due to the material changes in the condition in the said properties, MTAG had demanded for a full refund of the deposit from the Defendant, informing that the said properties had been prejudiced due to the earthworks on Lot 292, causing part of the said properties unsuitable for use and had restricted MTAG’s intended development on the said properties. The Defendant however via its email dated 17 March 2020 informed that they will only refund RM245,595.67 to MTAG. As such, MTAG issued a Writ of Summons and Statement of Claim (“SOC”) to the Defendant through its Solicitors on 23 October 2020.

A. NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

A11. Material events subsequent to the end of the current financial quarter (cont'd)

(b) Claim filed against Brilliant Propel Sdn Bhd deposit refund of RM245,595.67 (cont'd)

The Company in the SOC has made the following claims: -

1. The outstanding sum of RM245,595.67 being the balance of the deposit (equivalent to 1% of the purchase price);
2. Interest at the rate of 5% per annum on the outstanding sum of RM245,595.67 from the date of judgment until the date of full settlement;
3. Costs of this action; and
4. Any other reliefs which this Court thinks fit to grant.

The Court has initially fixed the hearing date on 14 January 2021 for Summary Judgement Application which was subsequently adjourned to 29 March 2021 for decision. On 29 March 2021, the Sessions Court Judge dismissed MTAG's summary judgement application with cost of RM2,000.00 to be paid to the Defendant. The Court has fixed the full hearing on 21 February 2022 requiring witnesses to appear before the Court to give their evidence.

On 6 April 2021, MTAG filed appeal to the High Court against the Sessions Court's decision for the Summary Judgement. On 15 December 2022, the High Court Judge dismissed the Company's appeal for summary judgment with cost of RM3,000.00 to be paid to the Defendant.

In line with this decision, witnesses are required to appear before the Sessions Court Judge to give their evidence during the full hearing on 13 March 2023. The grounds of decision stated by the High Court Judge are, amongst others, both parties have given conflicting facts.

The Court had converted the full hearing scheduled on 13 March 2023 to Case Management. The case management has been postponed by the Courts several times. On 22.5.2023 Case Management, this matter is fixed for hearing on 12 and 14 September 2023. On 12 September 2023, the Court adjourned the case initially fixed on 14 September 2023 to 25 October 2023.

The Court initially adjourned the hearing date set for 25 October 2023, due to the transfer of Sessions Court Judge Tuan Ahmad Zaki from Johor Bahru Session Court, effective 2 October 2023. Consequently, a Case Management session was scheduled for 14 November 2023, to plan a new hearing date. However, during this session, the Court rescheduled the Case Management to 20 December 2023, without setting a hearing date, as there were no directives received from the Palace of Justice regarding Judges for part-heard cases, including MTAG's. Moreover, it's worth noting that the presiding judge has been relocated to another state. The Court has scheduled the next Case Management for 28 December 2023, to determine a date for the continuation of the hearing.

The Board of Directors of MTAG wishes to inform that, on 21 August 2024, the Court has directed parties to file their written submission and the reply submission. The oral submission is fixed on 16 October 2024 at the Sessions Court.

As at the date of this announcement, there is no material financial impact arising from this SOC on the Company.

A. NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

A12. Contingent assets and contingent liabilities

Save as disclosed below, there were no other contingent assets and contingent liabilities as at the date of this financial report.

	As at 30.06.2024 RM'000	As at 30.06.2023 RM'000
Secured		
Bank guarantee given to		
-Royal Malaysian Customs Department	765	765
-Tenaga Nasional Berhad	80	20
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A13. Capital commitments

Capital commitments during the current financial quarter under review are as follows: -

	30.06.2024 RM'000	30.06.2023 RM'000
Authorised and contracted for: -		
-Property, plant and equipment	-	10,000
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A14. Corporate guarantee

MTAG has provided corporate guarantees for banking facilities granted to its subsidiaries by financial institution amounting to RM21.3 million, of which RM0.78 million have been utilised to issue bank guarantees and RM0.71 million for equipment financing-i facility.

A15. Related party transactions

There were no material related party transactions during the current financial quarter under review.

A16. Significant Event

Pursuant to the completion of acquisition of Jostar on 1st November 2023, Jostar has become a wholly-owned subsidiary of the Group. Upon finalisation of the purchase price allocation for the acquisition, the fair value of the net assets and goodwill were updated based on final valuation of Jostar of which tangible and intangible assets along with the corresponding deferred tax liability were recognised.

As at 30 June 2024, depreciation & amortisation of the tangible & intangible assets and tax expense impact in relation to the deferred tax liability have been reflected accordingly.

A. NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

A16. Significant Event (cont'd)

The provisional fair values of the identifiable assets and liabilities relating to acquisition:	Total fair value recognised on acquisition of Jostar RM'000
Assets	
Property, plant and equipment	7,916
Inventories	1,192
Trade and other receivables	548
Tax recoverable	20
Cash and bank balances	<u>19</u>
Total assets	<u>9,695</u>
Liabilities	
Trade and other payables	596
Lease liabilities	25
Borrowing	994
Deferred tax liabilities	<u>1,365</u>
Total liabilities	<u>2,980</u>
Total identifiable net assets acquired	6,715
Goodwill on acquisition	<u>1,961</u>
Purchase consideration	<u>8,676</u>

The goodwill from the acquisition has been fully impaired.

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B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B1. Review of performance (cont'd)

(a) Results for current quarter performance

	FINANCIAL QUARTER (FOURTH QUARTER) ENDED		CHANGES Increase/ (Decrease)	
	30.06.2024	30.06.2023	RM'000	%
	RM'000	RM'000		
Revenue	25,371	24,969	402	1.6
Profit Before Tax (PBT)	3,821	7,596	(3,775)	(49.7)

The Group recorded revenue of RM25.4 million for the current financial quarter ended 30 June 2024 compared with RM24.9 million for the same financial quarter in the preceding year ended 30 June 2023, an increase of RM0.4 million or 1.6%.

The Group's revenue was principally derived from the converting business segment, accounting for approximately 81.0% of the total revenue for the current financial quarter ended 30 June 2024.

Based on the financial results for the current financial quarter ended 30 June 2024, the Group's revenue from the converting business segments has increased compared to the same period in the preceding year. Specifically, the revenue from the converting business segment increased from RM15.2 million to RM20.6 million, while the revenue from the distribution business segment decreased from RM9.7 million to RM4.6 million.

The increase in revenue was mainly attributed to increase in revenue from the sales of mesh and offset printing. This increase in revenue was due to acquisition of new subsidiary and increased customer orders from the Group's major customers resulting in an increase in overall revenue for the Group.

The Malaysian market remains the largest market contributing to the Group's revenue, accounting for approximately 87.1% of the total revenue for the current financial quarter ended 30 June 2024.

The Group registered a PBT of RM3.8 million in the current financial quarter under review compared with RM7.6 million in the preceding quarter ended 30 June 2023, a decrease of RM3.8 million or 49.7%. The decreased in PBT was mainly attributed to the impairment loss of goodwill, allowance for impairment loss of inventories and foreign exchange unrealised loss.

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B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of performance

(b) Results for current financial period-to-date performance

	FINANCIAL QUARTER (FOURTH QUARTER) ENDED		CHANGES Increase/ (Decrease)	
	30.06.2024	30.06.2023		
	RM'000	RM'000	RM'000	%
Revenue	106,217	153,912	(47,695)	(31.0)
Profit Before Tax (PBT)	26,548	39,582	(13,034)	(33.0)

The Group recorded revenue of RM106 million for the current financial period ended 30 June 2024 compared with RM153.9 million for the same financial period in the preceding period ended 30 June 2023, a decrease of RM47.7 million or 31.0%.

The Group's revenue was principally derived from the converting business segment, accounting for approximately 76.2% of the total revenue for the current financial period ended 30 June 2024.

Based on the financial results for the current financial period ended 30 June 2024, the Group's revenue from the converting business and distribution business segments has decreased significantly compared to the same period in the preceding year. Specifically, the revenue from the converting business segment decreased from RM115.8 million to RM81.0 million, while the revenue from the distribution business segment decreased from RM38.1 million to RM25.0 million.

The decrease in revenue was mainly attributed to decrease in revenue from the sales of mesh. This decrease in revenue was due to decreased customer orders from the Group's major customers resulting in a decrease in overall revenue for the Group.

The Malaysian market remains the largest market contributing to the Group's revenue, accounting for approximately 84.8% of the total revenue for the current financial period ended 30 June 2024.

The Group registered a PBT of RM26.5 million in the current financial period under review compared with RM39.6 million in the preceding period ended 30 June 2023, a decrease of RM13.0 million or 33.0%. The decreased in PBT was mainly attributed to the decreased in revenue.

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B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B2. Comparison with immediately preceding quarter's results

	3-MONTH ENDED		CHANGES	
	30.06.2024	31.03.2024	Increase/ (Decrease)	
	RM'000	RM'000	RM'000	%
Revenue	25,371	27,425	(2,054)	(7.5)
PBT	3,821	6,878	(3,057)	(44.4)

The Group recorded revenue of RM25.4 million for the current quarter ended 30 June 2024 as compared with RM27.4 million for the preceding quarter ended 31 March 2024, a decrease of RM2.1 million or 7.5%. This was mainly due to decrease in revenue from the sales of mesh.

The Group's PBT decreased by RM3.1 million or 44.4% from RM6.9 million in the preceding quarter ended 31 March 2024 to RM3.8 million in the current quarter ended 30 June 2024. The decrease in PBT was mainly attributed to the impairment loss of goodwill and allowance for impairment loss of inventories.

B3. Prospects and outlook

Towards the end of this Financial Year, MTAG Group concluded the acquisition of a factory which is in close proximity to the Group's Headquarters in Kawasan Perindustrian Tebrau III. The purchase of this factory using IPO funds is part of the Group's continuous efforts to streamline and centralise resources while expanding into wider market segments, which include fast moving consumer goods. With more efficient management and production operations, MTAG Group is poised to further strengthen our position as a market leader in printing and converting solutions.

The Group has also made progress in diversifying its customer base by engaging with front-end manufacturers and high-value segments across various supply chains. Alongside the steady return of foreign investors in Malaysia motivated by positive investor sentiments, MTAG Group is gearing up its business development and manufacturing capabilities to support potential projects.

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B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B4. Profit forecast or profit guarantee

The Group did not issue any profit forecast or profit guarantee during the current financial quarter under review.

B5. Status of corporate proposals

There was no outstanding uncompleted corporate proposal for the current quarter and financial period under review.

B6. Income tax expenses

	<u>3-MONTH ENDED</u>		<u>PERIOD-TO-DATE</u>	
	<u>30.06.2024</u>	<u>30.06.2023</u>	<u>30.06.2024</u>	<u>30.06.2023</u>
	RM'000	RM'000	RM'000	RM'000
Current tax expense	1,271	1,397	6,846	9,603
(Over)/under provision of tax expense in prior financial year	(257)	(1,038)	(321)	(1,038)
Deferred tax expense	-	995	-	995
(Over)/under provision of deferred tax liabilities in prior financial year	(280)	-	(280)	-
Realised of deferred tax liabilities upon depreciation of revalued assets	(43)	(49)	(43)	(49)
Total tax expense	691	1,305	6,202	9,511
Effective tax rate (%)	19.4%	17.2%	23.6%	24.0%

Notes:

- (1) The Group's effective tax rate for the current financial period ended 30 June 2024 higher than statutory income tax rate of 24% is mainly due to tax allowance from additions of machineries and solar system.
- (2) Income tax expense is recognised based on management's best estimate.

B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B7. Utilisation of proceeds from the IPO

The gross proceeds raised from the Public Issue amounting to RM72.3 million is intended to be utilised in the following manner and status of utilisation as at 30 June 2024 are disclosed as below:

Details of Utilisation	Proposed Utilisation (RM'000)	Revision of Utilisation (RM'000)	Actual Utilisation (RM'000) @ 30.06.24	Balance Unutilised (RM'000)	Est. time frame for utilisation upon listing 25.09.19	Revised time frame for utilisation from 25.08.23	Revised time frame for utilisation from 23.08.24
Land acquisition and construction of manufacturing plant	33,000	(18,000)	5,443	9,557	36 months	12 months	12 months
Capital expenditure	13,000	-	7,539	5,461	36 months	12 months	12 months
Factory acquisition	-	10,000	10,000	-		12 months	
Merger and Acquisition	-	8,000	8,000	-		12 months	
Repayment of bank borrowings	10,000	-	10,000	-	12 months		
Working capital	12,451	-	12,451	-	18 months		
Listing expenses	3,800	-	3,800	-	1 month		
Total	72,251	-	57,233	15,018			

The utilisation of proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 19 August 2019.

The Board of Directors of the Company (“the Board”) wishes to announce that it has deliberated and resolved to vary the utilisation of IPO Proceeds and to extend the timeframe for the utilisation of the IPO Proceeds for an additional of 12 months from the 23 August 2024.

B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B8. Bank borrowings

The Group's borrowings as at the end of the reporting quarter are as below

	30.06.2024	30.06.2023
	RM'000	RM'000
Current (secured)		
- Overdraft	430	-
- Term Loan	-	41
Non-current (secured)		
- Term Loan	-	67
Total	<u>430</u>	<u>108</u>

All borrowings are denominated in Ringgit Malaysia.

The subsidiary company has secured working capital through credit facilities extended by United Overseas Bank (UOB) and Oversea-Chinese Banking Corporation (OCBC), amounting to RM1,693,000 and RM2,334,975 respectively. The Overdraft facility, with a limit of RM600,000 from UOB, is repayable on demand. Concurrently, the Banker Acceptance, with a limit of RM1,100,000 for 120 days, is obtained from OCBC.

As of December 31, 2023, outstanding credit facilities comprise RM970,000 for Overdraft and RM135,000 for Banker Acceptance (BA).

Interest for the Overdraft is levied at a rate ranging from 0.4% to 1.25% above the bank's Base Lending Rate, computed on a daily rest basis. The interest rate applicable to the Banker Acceptance is currently levied at a rate of 5.1%.

These credit facilities, from both UOB and OCBC, are secured by the company's factory buildings and by joint and several guarantees provided by Mr. Lim Who Wah and Mr. Loh Nguk Yoong, the ex-shareholders of Jostar Sdn Bhd. The process to discharge the joint guarantee and replace it with MTAG Group Berhad as the corporate guarantor is currently in progress.

B9. Material litigation

Save as disclosed in Section A11, there were no material litigation involving the Group as at 30 June 2024.

B10. Dividend

Save as disclosed in Section A8, the Board of Directors does not recommend any dividend for the current financial quarter under review.

As at the date of this report, the total dividend declared for the current financial year ending 30 Jun 2024 is 2 sen per ordinary share amounting to about RM13.6 million.

B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B11. Earnings per share

The basic EPS are calculated by dividing the profit for the period attributable to owners of the Company by weighted average number of ordinary shares of the Company during the financial period as follows:

	3-MONTH ENDED		PERIOD-TO-DATE	
	30.06.2024	30.06.2023	30.06.2024	30.06.2023
Profit attributable to ordinary owners of the Company (RM'000)	3,130	6,291	20,346	30,071
Number of ordinary shares ('000)	681,617	681,617	681,617	681,617
Basic EPS (sen) ⁽¹⁾	0.46	0.92	2.98	4.41
Diluted EPS (sen) ⁽²⁾	0.46	0.92	2.98	4.41

Notes:

- (1) Basic EPS is calculated based on the share capital of 681,617,400 shares in issue after IPO.
- (2) Diluted EPS of the Company for the individual quarter ended 30 June 2024 and period-to-date ended 30 June 2024 is equivalent to the basic EPS as the Company does not have any convertible securities as at the end of the reporting period.

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B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B12. Disclosure on selected expense/income items as required by the Listing Requirements

Profit before tax is arrived after charging/(crediting):

	3-MONTH ENDED		PERIOD-TO-DATE	
	30.06.2024	30.06.2023	30.06.2024	30.06.2023
	RM'000	RM'000	RM'000	RM'000
Allowance/ (write back) for impairment loss of trade receivables	25	(50)	25	(50)
Allowance/ (write back) for impairment loss of inventories	925	1,280	925	1,280
Impairment loss of goodwill	1,961	-	1,961	-
Depreciation of property, plant and equipment	799	762	3,194	2,698
Depreciation of right-of-use assets	10	47	151	510
Foreign exchange				
Realised (gain)/ loss	(7)	(17)	106	(685)
Unrealised (gain)/ loss	202	(939)	(53)	(513)
(Gain)/ Loss on disposal of property, plant and equipment	-	(133)	(156)	(142)
Interest income	(289)	(988)	(1,500)	(2,997)
Interest expense	36	12	105	59
Gain on fair value of other investments	(999)	(312)	(3,297)	(1,010)
Gain on disposal of other investment	-	(84)	-	(96)
Dividend income from other investment	-	-	(1)	-

Notes:

Other disclosure items pursuant to Appendix 9B, Note 16 of the Listing Requirements of Bursa Securities are not applicable.